Recession Blunts Growth

Consumers Wary, But Discounters Continue to Carve Out Home Fashions Market Share and Upgrade Assortments

Specialty stores: *Same store sales were essentially flat last year.*

While discounters continued to gain in the home textiles arena, mainly at the expense of department stores and mom & pop independents, the growth cooled in 1991. The recession, which resulted in minimal same store growth and less spending on perceived luxuries, contributed, but discounters may have made the trend worse by cutting back on inventories in the fourth quarter and into early 1992.

However, the result should be positive for discounters in 1992, as a combination of pent up consumer demand and fresh product selections spur sales. For 1991, *HomeMarket Trends* estimates that discounters' total domestics sales rose only a few percentage points from the year before, with the dramatic exception of Wal-Mart and, possibly, Kmart as well.

Overall, though, the category is taking on increased importance to retailers. With the move to higher-end goods and expanded selections, home fashions has become a margin leader, with average margins in the low 30s, even after towels and entry level sheet sets are virtually given away. The addition of products like decorative pillows, shams, down comforters, and table rounds, with gross margins in the 50% range, has stimulated the department in terms of both increased sales and profitability.

The discount industry grew some 11% last year, but much of that growth was accounted for by adding stores, not making them more productive. Wal-Mart's sales, for instance, grew an outstanding 24%, but same store sales increases were under 10%, better than industry average, but off Wal-Mart's traditional pace. And while domestics certainly grew during the period, the real growth in Wal-Mart stores (as opposed to Sam's Clubs) seemed to come from other areas, like snacks and food, electronics and hardware.

Kmart and Target, on the other hand, seem to have built up their home fashions businesses, perhaps at the expense of some other departments. Kmart's new prototype is considerably larger than its once-aging store base average, but the home fashions department is proportionally even larger, about 25% bigger. Target's Greatland stores and larger traditional prototypes also feature gigantic home fashions areas. The two have invested heavily in advanced signage, specialized fixtures and real estate, and both have seen strong sales out of the department. Also, each has made commitments to pricey, but popular, "new" products, like down comforters and 100% cotton sheets.

Both Ames and Caldor have followed suit, as have ShopKo and Venture. Ames now carries 100% white goose down comforters and 100% cotton goods, as well as full bath coordinate shops and, in one store, a quilt/duvet cover nook. The company is also blending its housewares and textiles operations into a specialty business that it expects will create cross-shopping opportunities and status as a destination store.

In an attempt to build up sagging (or nonexistent) margins in staples like sheet sets, Target, Kmart and Venture have all introduced private label sheets in the past year, with Target's program the most ambitious, tying in as it does with the company's Merona apparel label.

Home fashions is following a cross-industry trend toward discount stores. Overall, department stores' share of the U.S. retail market shrank again last year, and discounters' share rose, to just over 40% of all retail sales. And while the home textiles industry as a whole dipped slightly last year, sales at discount outlets rose an estimated 2.4%.

Unencumbered by recession, that growth will probably accelerate in coming years. The category, as a discount staple, is still developing; discounters were not major players in the fashion-forward element of the market until very recently. As more fashion makes its way to discount shelves, the industry's share of the market is destined to grow.

Overall, home fashions account for approximately 4.5% of discounters' sales, although chain-to-chain, the percentage can be as low as 2% and as high as 7%. Larger and more productive stores tend to have a higher soft goods contribution to total sales, although some smaller chains also show a disproportionate percentage of textile sales. Fishers Big Wheel, for instance, promotes home fashions very heavily, and has home fashions sales of well over 5% of total sales.

On a sales-per-square-foot basis, domestics is one of the most productive departments in the discount store, although the figure varies widely chain-to-chain. Overall, sales per square foot average just over $200, but reach the high $200s at more productive stores.

And that figure will probably rise as well, as discounters

Top Ten Discount Retailers of Home Textiles

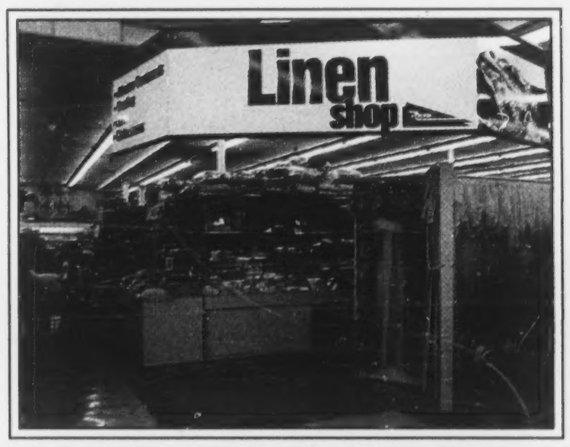
Chain	1991 Sales (in Millions)	1991 Textiles Sales (in Millions)	1991 Store Count
Sears	$19,805	$1,900	868
Wal-Mart	31,667	1,600	1,720
Kmart	24,749	1,550	2,249
Target	9,041	710	463
Mont. Ward	5,600	450	356
Meijer	3,500	400	65
Caldor	1,868	220	128
Bradlees	1,772	210	129
Ames	2,819	180	371
Venture	1,522	130	84

Source: *DSN* Research

Top Soft Goods Specialty Chains

Chain	1991 Sales	1991 Store Count
Linens 'n things	$234	143
Bed Bath & Beyond	168	34
Linen Supermarket/ Home Front	63	65
Curtains & Home	44	40
Strouds	33	45

Source: *DSN* Research



Upgraded product selections *draw customers into the domestics department.*

Recession Blunts Domestics Sales Growth

add upmarket goods and further expand their assortments. Already, the proportion of higher-priced all-cotton goods is increasing rapidly, following similar growth in the apparel marketplace. According to Cotton Inc., sales of 100% cotton home furnishings products rose an average of 8.1% in the past five years, versus 4.2% growth of other fabrics, and the share of 100% cotton in discount stores has risen from 0% to roughly 5%.

Wal-Mart, on net store sales of $31.7 billion, of which roughly 4.8% was in home fashions, sold some $1.5 billion in home textiles last year, up from roughly $1.4 billion a year ago. However, the introduction of some 150 new and highly productive stores, as well as a beefed up assortment, pushed the total a bit higher, to about $1.6 billion.

Kmart, which spent its money refurbishing stores, upgraded its assortment in certain areas, but slipped behind Wal-Mart, to $1.55 billion.

Sears' share of the market has remained stable. The company, which along with JC Penney, has dominated the home fashions industry for the past decade, is still in the lead, at a flat $1.9 billion, but Wal-Mart and Kmart are closing the gap rapidly, even though their departments are far smaller than Sears'.

In the specialty category, growth was almost nonexistent. Virtually every chain was flat, or grew only as much as it opened stores. Bed Bath & Beyond, perhaps the most productive in the category, reported nearly flat same store growth, the result, it said, of trimming inventory in a recessionary market and refusing to abandon its everyday low price strategy in the face of rampant promotions, particularly in the fourth quarter.

Relatively speaking, the specialty market is only a fraction of the mass market as a whole. The entire category, at least in terms of national and regional chains, sells only about as much as Target by itself.

Linens 'n things, the specialty industry leader, has turned its attention to developing bigger and more productive stores, rather than increasing store count.

Overall, discounters continue to hammer department stores nationwide. The exclusive products that the department stores once relied upon to differentiate themselves from the mass market are rapidly finding their way onto discount shelves. For example, down comforters, coordinated collections, designer names, 100% cotton, 200 thread count, and other luxury products are now as commonplace in Target as in its Dayton sister company.

That trend will continue. While the national chains are being extremely careful to keep in step with their core customers, they are finding that in most areas, the customer is quite open to buying nearly anything in a discount store, as long as the price is right. Kmart has been successful with light down comforters, and Ames says that its 100% white goose down comforters, selling at nearly twice the price of the Kmart pieces, are selling well. Target's 100% cotton program will be joined this year by similar programs at Kmart and Wal-Mart.

The only thing that seems to have slowed discounters' runaway success in the domestics business is the recession. People are putting off significant purchases, or getting an extra season from what they do have. However, discounters have still grown over the past year, just not as quickly as in 1989 or 1990. Much of that growth has come from customers that in past years might have shopped at department stores. ■

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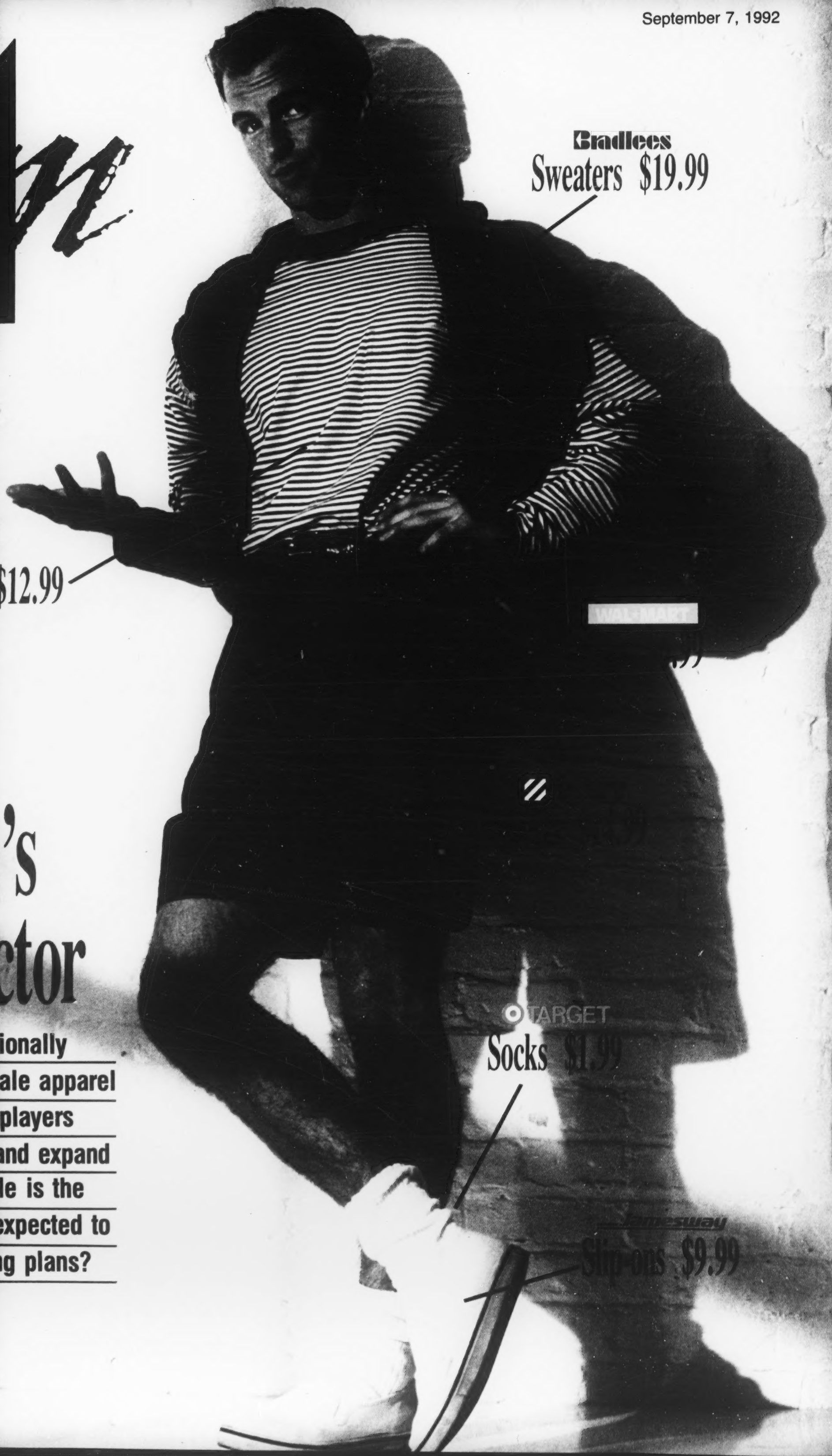
Special Supplement
Discount Store News

September 7, 1992

The Men's Wear Factor

Discount stores traditionally court the mature female apparel shopper. As industry players continue to improve and expand assortments, what role is the "man of the house" expected to play in their marketing plans?



Men's wear inches up

Men's wear moved ahead during the first quarter of 1992 from the previous year, despite a weak economy. Discount stores reported 1992 first quarter men's wear sales of $1.2 billion, up from $1.1 billion last year, according to The NPD Group, Port Washington, N.Y. The basic, staple items did well here, with such products as underwear, jeans and activewear showing strong figures. Department stores also show an increase going from $1.6 billion this year from $1.5 billion last year.

Discount stores again led in men's furnishings sales percentages for first quarter 1992, in terms of volume generated, compared to other retail outlets. Also, mass merchants held the No. 1 activewear and jeans positions in terms of volume generated. In men's tops and bottoms, sales at discount stores in these categories ranked second, according to NPD.

Men's apparel sales at discounters are faring well despite a weak economy. Strong sellers at these outlets are furnishings, jeans and activewear.

Men's furnishings—classified by NPD as underwear, socks, accessories, thermal underwear, nightwear and robes—at discount department stores accounted for $223.6 million for first quarter. This compares to discount stores' 1991 same quarter results of $198.2 million, a rise in the category of 4.9 percent.

Sales within the furnishing category consists of high percentages of underwear, socks and accessories.

Men's wear sales at discounters include $119.4 million spent on underwear in 1992's first quarter, compared to last year's figure of $94.3 million. This accounts for 10.3 percent of these outlets men's apparel sales dollars for 1992's quarter compared to 8.7 percent last year. Through the offering of brands like Fruit of the Loom and Hanes at rock bottom prices, discounters have become the outlet in which men's underwear is purchased the most. Socks at discounters made a nice show for the retailers, at $83.6 million, compared to $75.5 million last year.

According to NPD, furnishings sales ►

Where Men's Apparel is Bought

($in millions)

	Discounters 1st Qtr. Sales		Department Stores 1st Qtr. Sales		Specialty Stores 1st Qtr. Sales		Sears 1st Qtr. Sales		Off-Price Stores 1st Qtr. Sales		Other* 1st Qtr. Sales	
Category	'92	'91	'92	'91	'92	'91	'92	'91	'92	'91	'92	'91
Total Men's Apparel	$1,200	$1,100	$1,600	$1,500	$1,300	$1,300	$326.2	$354.6	$462.2	$331.9	$1,911.6	$1,913.5
Men's Tops[1]												
Knit tops	121.1	105.8	120.5	112.8	86.9	72.0	31.2	26.4	26.1	25.6	219.8	221.6
Woven sport shirts	84.9	97.1	132.4	117.0	87.0	87.2	18.7	24.7	26.8	16.7	136.4	129.9
Dress shirts	57.7	58.5	170.8	157.0	98.2	69.9	17.2	31.3	50.8	39.9	131.3	119.3
Sweaters	29.8	36.9	77.1	108.0	44.6	49.1	12.8	11.5	18.2	9.5	56.2	73.1
Other tops	39.6	35.7	22.6	23.4	25.7	20.2	10.1	10.4	6.4	7.6	44.6	48.8
Men's Bottoms												
Jeans	225.9	195.0	129.2	132.9	122.6	112.7	52.6	71.2	16.3	7.1	134.6	156.3
Slacks, pants	88.7	87.5	245.4	218.3	94.9	105.5	65.3	54.5	29.3	41.4	217.6	193.8
Shorts	36.5	30.6	57.3	37.7	15.5	20.6	8.2	8.3	10.4	12.1	82.2	67.6
Other bottoms	33.3	29.0	7.8	5.9	8.9	12.4	9.9	6.0	0.9	2.1	49.1	36.8
Men's Tailored Clothing												
Suits	27.4	15.9	196.6	124.3	258.8	319.7	1.7	2.4	102.8	59.4	100.4	128.5
Sportcoats, blazers	3.9	7.8	53.3	79.5	100.3	77.2	4.7	6.2	26.7	5.7	68.1	70.8
Men's Outerwear												
Outerwear	42.5	66.8	85.1	182.8	152.5	220.9	23.3	34.2	69.5	46.3	231.3	269.8
Men's Furnishings												
Underwear	119.4	94.3	63.7	52.9	11.9	15.5	13.5	20.1	15.2	7.0	94.4	77.5
Socks	83.6	75.5	42.1	45.3	20.9	15.5	11.0	10.0	13.6	14.4	76.8	67.1
Accessories	46.7	24.3	110.5	49.3	79.3	39.5	15.3	8.4	30.3	18.7	105.1	51.9
Thermal underwear	10.5	15.8	4.7	2.5	1.9	4.1	3.6	5.9	0.2	0.6	11.0	15.3
Nightwear, robes	10.0	12.5	13.6	15.8	2.6	7.0	7.0	2.9	1.6	1.5	8.4	14.5
Men's Activewear												
Sweats[2], warmups	91.0	79.6	62.7	53.4	31.5	36.4	12.9	20.3	6.9	10.4	131.4	113.6
Swimwear	6.4	6.1	4.8	5.0	4.0	1.1	0.9	—	2.7	0.6	15.9	17.1

Source: The NPD Group, Inc.

*Includes JCPenney, Montgomery Ward, direct mail, factory outlets, warehouse clubs and food and drug stores.

[1]Fleece shirts not included under men's tops.

[2]Includes fleece shirts, pants and shorts.

at Sears generated $35.1 million for first quarter 1992 down 9.8 percent from last year to $38.9 million. Underwear sales at Sears accounted for $13.5 million in first quarter 1992, down 32. 8 percent from 1991's first quarter results of $20.1 million.

Fleece tops and bottoms, not grouped under men's tops or bottoms according to NPD, but under activewear, boosted sales in the category for discounters, generating $91.0 million for 1992's first quarter, increasing 14.3 percent from the year before.

Lee, which is in the process of pulling out of discount stores, along with Fruit of the Loom and Hanes are some players that have helped to draw the fleece customer into discount stores. In-store merchandising techniques such as folded presentations and color displays contribute to the success of the basic fleece at these operations. Discounters sold the greatest amount of this product, at $91.0 million. Department stores, having the next highest figure in this category, sold $62.7 million.

Men's tops accounted for $2.0 billion across total retail outlets. Department stores generated 32.1 percent of its men's wear in this category.

Consumers left more apparel dollars at discount department stores than at any other retail outlet last year.

Last year, men's tops at department stores accounted for 33.7 percent of its men's apparel sales. At discount stores, 28.7 percent of its men's apparel sales were in tops this year. In 1991, discounters garnered 30.9 percent of the men's wear category sales through tops.

Sales of knit tops at discounters generated 10.4 percent of its men's wear sales. At Sears, according to NPD, 9.6 percent of its men's wear dollars came from the sale of knit tops.

Department stores generated $170.8 million of its men's wear sales in dress shirts. That figure represents about 10.5 percent of total men's wear sales of these outlets. Off-pricers accounted for 1992 first quarter sales of $50.8 million in dress shirts, which was 11 percent of its men's wear total.

The sale of men's sweaters, though still on a decline, showed department stores with the highest percentage of sales in men's wear. Department stores sold $77.1 million in sweaters in first quarter 1992, compared to $108.0 million the previous year. Discounters fell for this period as well, with $29.8 million, down from $36.9 million.

Discounters again also took the second position in men's bottoms for first quarter 1992, accounting for $384.3 million in mass merchant sales in this category, increased from last year's $342.2 million. Sears, according to NPD figures, generated 41.7 percent of its men's wear sales in men's bottoms. This is an increase from 39.5 percent last year for the period.

The chain's slacks and pants sales were 20.0 percent of its men's bottoms sales, with that section alone helping to boost total sales for Sears in this category. Sears' strength in the category is bolstered by the marketing and sales of brands, particularly Dockers.

Discounters can attribute a healthy 19.5 percent of its total men's wear business to its denim sales with such mass market names as Lee and Wranglers being heavy hitters. A sweet price tag, coupled with good quality is helping discounters fare well in its sale of denim, perhaps attracting Gap wannabees into the store. Mass merchants have enjoyed first quarter 1992 denim sales of $225.9 million up from $195.0 million the year before. Department stores generated $129.2 million in jeans, down from last year's $132.9 million. With Lee pulling out of the discount store market, third-quarter results such prove interesting.

The discount market does not offer much in the way of men's tailored clothing. Tailored clothing generated 29.8 percent of its men's wear sales for specialty stores. Off-pricers generated 29.6 percent in the category.

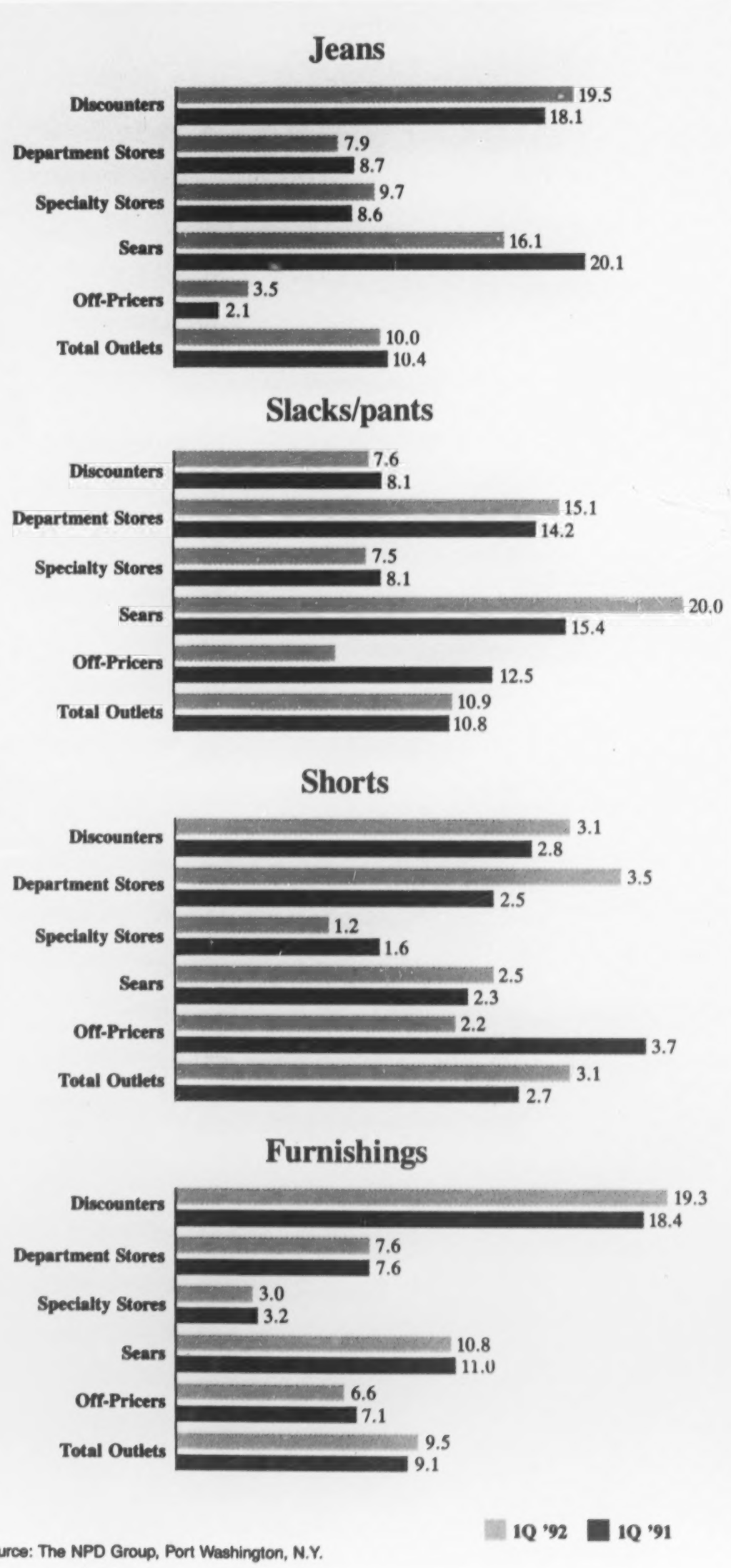
Specialty store sales led across the board for men's suits in first quarter of 1992 although these outlets saw a 19.0 percent decline, dropping to $258.8 million. Department stores, at 58.2 percent of its men's wear sales, accounted for $196.6 million in 1992 from $124.3 million the previous year.

Off-pricers showed growth in both suits and sportcoats and blazers for first quarter 1992, which might be described as a mixed blessing for an ailing tailored business.

Leaving tailored clothing to the specialty, department and off-price stores, gives discounters the ability to focus on out-of-the-office attire to draw in their men's apparel dollars. Although they may be missing some suit separates dollars, concentrating primarily on casual garb is a formula that will continue to fuel mass market growth.

How men's apparel measures up

(Percentage of men's wear sales per classification by outlet)



Source: The NPD Group, Port Washington, N.Y.

APPAREL

Women's • Men's • Children's • Hosiery • Jewelry & Accessories • Underwear • Intimate Apparel

Ties Loosen Knot in Men's Wear Sales

By Jill Lettich
Nationwide DSN Report

Industry watchers generally agree that accessories do well during a recession.

But while a woman can buy a faux pearl necklace to liven up last year's outfit, men's accessories don't come under the same "fashion fix" heading.

Or do they?

According to a number of retailers, the men's accessories market has been holding its own and has helped fuel a men's wear comeback. According to MRCA Information Services, men's wear sales for the year through spring 1992 were up 1.6% to $11.7 billion.

Neckties, hats and belts are now among the specific bright spots within the men's accessories category. For the upcoming MAGIC men's wear trade show in Las Vegas, buyers are sure to be eyeing the newest trends in this apparel area.

"Our men's accessories are up for holiday and still growing," said Maxine Clark, executive vp, Venture Stores.

At Venture, as at other discounters, the explosion of baseball caps as a must-have accessory and the popularity of trendy conversational neckties helped bolster the category.

A number of retailers worked on expanding the success of accessories even further. Rather than relying on trend items, many revamped accessories departments, including fixtures and signage.

According to Clark, Venture's sled fixtures for belts have "energized" the belt business for the St. Louis retailer.

And Sears has updated its accessories fixturing.

Caldor, Oceanside, N.Y., displays standard patterned ties along with updated florals, paisleys and geometrics. (DSN photo)

"We've put in new wooden fixtures which makes the shops more customer-friendly," said Meg Rist, national product development manager, Sears. "We've designed a more coordinated department that is easier for us to maintain and easier for housekeeping."

Vendors such as M. Aron are also getting into the act. As a licensee for Gitano neckwear, the company provides spinners and point of purchase placards to help retailers merchandise the products. William Aron, vp, noted that Meijer, Hills and Jamesway are some retailers that have made strides in presenting ties and accessories.

Another sign that the men's accessories market is burgeoning is its transformation from a seasonal to a year-round business, despite the peaks at Christmas and Father's Day. Some items, such as gloves and small leather goods, are favorite gift products, but most of the apparel accessories in the men's department are fashioned for year-round appeal.

"There are invariably peaks during the year, but we design our department to sell day-in and day-out," said Rist.

Clark agreed that Venture's business has also overcome some of the between season valleys. In particular, caps are withstanding the test of time. The peaks for that item have more to do with the sports seasons than retail buying appointments or Mother Nature's schedule.

At a specialty store like Casual Male Big & Tall, the focus is practical, according to Larry Kelley, president and ceo. The chain also attempts to meet the everyday needs of its customers in all seasons.

"We have the belts and neckties our customers want, but we don't go overboard even during holiday," he said. The chain has an assortment of private label merchandise in all categories, including neckties.

Kelley noted that during holidays, the store remains true to its basic philosophy. "We stick to our guns. I want our customers to know who we are and what we stand for."

Aron thinks discounters may be letting too many young men pass through the hard lines department without luring them into the apparel area.

Aron, as the licensee for Gitano neckwear, sees potential in designing young, lifestyle accessories that appeal to the same customer who goes to Kmart to buy CD racks.

The tie styles currently doing well under the Gitano label include "conversationals." These include fun patterns featuring tools or other items on ties. They are primarily a take-off of ties designed for the better market by Nicole Miller. But, unlike Miller's ties, Gitano's range of neckwear does not exceed $15.

The young men's market bol-

(Continued on page 22)

Men's is Only Apparel Group on Rise

Nationwide DSN Report

The latest statistics from MRCA Information Services should put men's wear buyers in a good shopping mood as the MAGIC show approaches.

First half comparisons of 1991 and 1992 show that of all the apparel categories, only men's wear increased in that time frame. All of MRCA's figures compare January to June 1991 to January to June 1992.

Dollar volume for men's apparel was up 1.6% to $11.7 billion for the first half of 1992. Women's apparel was down

(Continued on page 22)

Men's Apparel Sales By Outlet
(1st Six Months 1992)

Outlet	Dollar Volume (In Millions)	% Change from 1991
Department Stores	$3.3	0.3%
Discounters	$2.3	(5.9%)
Off-Pricers	$1.0	11.5%
Mail Order/Catalog	$0.4	(15.8%)

( ) denotes decrease
Source: MRCA Information Services

PATTERNS

A Comparison Shopper's Mall

(Continued from page 5)

attract an array of customers. But giving them a run for the money are off-price retailers in the mall, notably Filene's Basement and Marshalls.

Consumers will have to choose between the cache of buying at a well-serviced department or specialty store (at higher prices) or taking a chance that half a season later the same item will find its way to the off-pricers.

Already there were signs that a savvy shopper could do well at Mall of America. The Limited Express store in the mall, for instance, had all fall merchandise displayed. But one floor up, Marshalls featured a summer dress with the Express label for $40.

Obviously a new Express store would not open with clearance merchandise. But what's going to happen in December? Will consumers chase down the better priced Express clearance merchandise by comparison shopping in both stores? It is easy enough since they are in the same mall.

JILL LETTICH
Assoc. Editor

Department and even some specialty stores have another disadvantage: the lead time they once had in presenting trendy apparel has been greatly diminished. On average, off-pricers are considered to be half a season behind. But with more consumers preferring to buy for the current season, the time lag is blurred.

In terms of fashion styling, the lag is virtually non-existent. At Mall of America, while Bloomingdale's displayed designer Donna Karan's clothing in the hot color of the season, grey, Filene's Basement featured Evan Picone knit separates in the same trendy shade. Even Sears had generous helpings of grey pinstripes among its back-to-school selections.

With a varied mix of retail formats awaiting the 40 million visitors expected to pass through its doors, Mall of America will be an interesting study in consumer buying behavior. It could reveal what "value" actually means to an average shopper.

First Half Men's Dollar Volume Up

(Continued from page 20)
4.4% in dollar volume for the same period, MRCA said.

Men's wear accounted for 26.5% of all apparel sales for the first six months of 1992, compared to 25.3% of sales for the same period a year earlier.

MRCA also found that in the first half, 49.7% of men's apparel was sold at non-sale prices. A year earlier, 48.7% of sales was at full price.

The men's wear increase was confined to some "hot" areas:

- Suits' share of the men's wear dollar market was up 8.9% for the first half of 1992 compared to 7.8% for the year-earlier period. Dollar volume was up 15.9% to $1 billion.
- Ties naturally followed suits, accounting for a 2.6% share of men's apparel, up from 2.2% a year earlier. Dollar volume for the category was up 23.1% to $305.9 million.
- Shorts remain a retail favorite. They accounted for 7.3% of men's apparel sales in the first half of 1992. Dollar volume for shorts was up 15.8% to $855.2 million.

Sweater sales were down 27.4% to $311.4 million; outerwear jackets were down 10.6% to $521.7 million.

The young men's market (ages 16 to 24) performed poorly for the first half. The decrease of young men's market share from 20.2% in 1991 to only 17.2% in 1992 helps explain why "older" categories such as suits and ties performed better in the survey.

Among retail outlets, department stores and off-pricers led the charge for the first half of '92. But off-pricers like NBO benefited from a resurgence in suit sales and were competition for department stores.

For the first half of '92, however, MRCA reported men's wear sales dawdled at full-line discounters and in mail-order catalogs. Men's wear dollar volume for discounters for the first half of '92 was $2.3 billion, a 5.9% decrease from the same period a year earlier.

MRCA said "even the belles of the ball (Kmart/Wal-Mart/Target) suffered tough sledding" in men's wear for the first half of the year. For them, overall men's wear dollar volume was down 0.8% and men's wear dollar market share declined to 11.7% of sales for that retail grouping compared to 12% a year earlier.

However, discounters are right behind department stores in overall men's wear sales.

MRCA uses a diary questionnaire sent to 12,000 households to compute its results.

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Men's Comeback Spurred By Ties

(Continued from page 21)
stered tie sales by leading a dress up trend. According to Aron, young shoppers are putting on ties with casual shirts, in demin and chambray styles, to go out at night.

In addition, a more relaxed dress code at many companies means that men are wearing shirts and ties, but not necessarily suits. This opens the way for fashion forward looks and casual, fun ties.

This trend comes with a corresponding statistic for retailers to savor. According to MRCA, men's dollar market share for ties was up to 2.6% from 2.2% for a year through spring 1992. In that same period, dollar volume for ties was up an impressive 23.1% to $305.9 million. It was the largest volume increase in all apparel categories, reported MRCA.

Ties tend to be high-margin items, another reason they are a retailer favorite. According to Aron, some retailers have 58% margins on their neckwear.

Aron expects neckwear sales to slow somewhat, but is reacting to the changing market with new styles. Stripes are on the rebound, and classic patterns like paisleys are set for a return, though in new colorations, Aron said. The company will also introduce knit styles for the MAGIC show, he noted.

Venture's Clark also cautions that growth will continue, but it is likely to slow somewhat. In the caps area, she expects styles and sales to be kept fresh with bolder lettering and block shapes.

Belts are also a healthy accessory area. This corresponds to the growth in casual men's pants styles, according to Rist.

Bradlees Upgrades Apparel Display

(Continued from page 1)
store operations during a tour of the newly remodeled Hackensack store. "We no longer have to share our cash flow. All of it is reinvested in our own company."

When Bradlees does begin expanding once again, it will concentrate on its core market in the Northeast corridor, Chalphin said. The two Virginia stores, Petersburg and Portsmouth, will remain the exceptions, he added.

At a cost of more than $1 million per store, Bradlees expects to remodel 75% of its stores by 1995 and will seek to relocate the remainder of undersized or underperforming stores.

One of the relocated units will re-open in Taunton, Mass., this November, moving into a prototype size store of about 88,000 sq. ft. from a 50,000-sq.-ft. building.

"The entire apparel display is new," Chalphin said. The apparel walls have the advantages of being made of inexpensive, lightweight and interchangeable grid racks that the merchandise mostly conceals, Chalphin said. Accordingly, the merchandise, rather than the fixtures, stand out.

Contrary to the trend to emphasize brand names through signage, Bradlees prefers to "let the merchandise sell itself through presentation, rather than overwhelm customers with brand signage," Chalphin said.

In one of the few exceptions, four ceiling hung banners promote the American Greetings lines of greeting cards and gift wrap.

Bradlees increased cards space by about 25% to 160 linear feet, Chalphin said. In October, Bradlees plans to start testing American Greetings' new interactive kiosk in 5 to 10 stores. By using the computerized kiosk, customers can custom design their own greeting cards, choosing from hundreds of options.

To set up the apparel displays, store associates work from a soft lines version of a hard lines planogram, Chalphin said. It describes in minute detail exactly how to lay out each apparel display.

Their hallmarks are simplicity and ease of reproduction, so displays are standardized in every store, he said. Apparel displays "require no pinning, no tucking, no stretching," Chalphin said.

In its new prototype, Bradlees devoted no more space to apparel, which remains at 50% of selling space, Chalphin said, but the grid walls make apparel more visible.

In designing its new prototype, Bradlees' in-house designers have one goal: keep it simple, Chalphin said.

Through simple displays "the merchandise pops out," he added. "No matter where you are in the store, you see dominance in apparel."

After increasing hard lines skus by 15% to 20% in '91 remodels, Bradlees "feels pretty comfortable with hard lines" Chalphin said, and plans no major changes.

Chalphin acknowledged that Bradlees had hurt itself in the past by cutting back on hard lines, but sales in hard lines increased by about 8% in the remodeled stores.

But Bradlees does plan to expand food & snacks and add pet food chainwide. The remodeled prototype now offers a 40-ft. gondola of pet foods facing a 40-ft. run of pet supplies and accessories.

In addition, the Hackensack store offers a sit-down food service court. With seating for 20, the new food service increases food sales by 50% over the basic snack bar approach, Chalphin said. Bradlees now offers brand names in food, such as Dunkin' Donuts and Hebrew National hot dogs.

Except where Bradlees would compete with a mall food court, the chain plans to add sit-down food service in every store large enough to accommodate it.

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VENTURE'S TURN TO SHINE

Regional discounter honored as 'one of the most productive chains in the industry'

See stories on pages 3, 12, 133

Venture chairman Julian Seeherman accepts congratulations after receiving Discounter of the Year award at the 15th annual SPARC banquet.

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Tough Challenges Ahead for New Sears Exec

By Arthur Markowitz

HOFFMAN ESTATES, Ill. — Sears has received a mixed grade for picking an outsider to head up its troubled merchandising group, but the executive, Arthur C. Martinez, said he would need time—at least three or four months—to study the retailer and develop plans to improve its business.

Martinez, 52, who had been a vice chairman of high fashion retailer Saks Fifth Avenue, took over as chairman and chief executive officer of Sears Merchandising Group Sept. 1. But he began meeting with group executives and soliciting ideas as soon as his appointment was announced in mid-August.

His biggest challenge, trade observers said, may be reducing the group's expenses even further by executing such tough decisions as closing down unprofitable operations and stores and continuing to shrink its work force, while refining the core merchandising business so that past changes like the rollout of power departments produce greater sales and profits.

Arthur C. Martinez

Martinez's appointment came as the $31.4 billion Merchandising Group is in the midst of relocating its 5,000-person headquarters staff from the Sears Tower in downtown Chicago to its new home in Hoffman Estates.

The group's relocation and previous hard decisions by Edward A. Brennan, Sears chairman and chief executive officer, may have made Martinez's task easier. During the past few years, Sears has trimmed its merchandising expenses by almost $900 million, with another $100 million in cuts due next year. A spokesman noted that Brennan has already carried out such difficult moves as cutting about 50,000 jobs, more than 15% of its work force, during the past three years, eliminating layers of headquarters, regional and district management, spending heavily to phase in state-of-the-art computer systems to speed up merchandising decisions and provide better customer service, and consolidating warehouses and distribution centers into fewer and more efficient facilities.

Martinez's appointment seems to free Brennan to spend more time on plotting Sears' overall direction and growth. Only the Merchandising Group and Dean Witter Financial Services group report directly to Brennan. Last year, Sears promoted James M. Denney to vice chairman, with the Allstate Insurance group and Coldwell Banker Real Estate group reporting to him.

Trade observers were pleased that Sears had gone outside the company for "new blood" to head its retailing operation, but were surprised that the executive had a stronger financial and administrative background than merchandising experience.

Martinez was in charge of all Saks' administrative functions since he became its vice chairman in 1990. He also served as Saks' executive vp, administration, and senior vp and cfo.

But the Sears spokesman noted that from 1987 to 1990 Martinez had served as the chief executive responsible for the retailing division of Batus, Inc., which includes Saks and four other department stores. Batus subsequently divested its merchandising division, selling Saks to Investcorp., a holding company whose other retailing interests include Sports Unlimited.

As an outsider, Martinez isn't viewed as committed to the Sears mystique and therefore is likely to shake up the retailer, even disposing of the unprofitable $5 billion catalog business that was the start of Sears 106 years ago. He is also expected to use his fashion and clothing industry contacts to try and strengthen Sears apparel business, perhaps its weakest category.

The catalog business is the one merchandising operation security analysts and trade observers most often said Sears should divest. But other possible merchandise divestments are either too small to make any impact on Sears expenses or, like its appliance maintenance and repair service, are intrinsic to the retailer's overall merchandising synergism and would seriously injure its marketing.

Martinez, in interviews, emphasized that he was hired to run Sears Merchandising, and that the Sears board and Brennan were amenable to any ideas that improve the retailing division.

Brennan, besides being chairman of Sears, had held the top merchandising group job since August 1990, when he took over that responsibility from Michael Bozic, then chairman and ceo of the division, in an effort to revive the retailing operation. (Bozic left Sears in February 1991 and is now trying to engineer a turnaround at discounter Hills Department Stores.)

Forrest R. Haselton, formerly vp, automotive, was appointed president of the Merchandise Group in February. He reports to Martinez. The Merchandising Group doesn't have any executive with the title of chief operating officer.

Sears' board approved Martinez's appointment during a telephone meeting. Martinez was weighing offers from Sears and A.P. Bergner & Co., a Milwaukee company that is in Chapter 11 and is the parent of the Carson Pirie Scott department store chain. Martinez reportedly had a handshake deal with Bergner, but hadn't signed a contract when he decided to sign on with Sears. That deal reportedly was for three years at a salary of $1 million a year, a $1 million signing bonus and other prerequisites.

Bergner, the day before Martinez officially joined Sears, sued the retailer and him in the U.S. District Court for the Southern District of New York. Bergner alleged that Martinez broke a promise to become its chief executive, while Sears was aware of his agreement and illegally interfered in the company's affairs. The suits seek unspecified damages from Sears and Martinez.

Sears stated that it and Martinez "have reviewed the allegation contained in the complaint and find them to be without foundation. In particular there was never any contractual relationshsip between Martinez and Bergner, nor were any misrepresentations made by Martinez. Thus Sears and Martinez are confident that the court will determine that their conduct was proper in all respects."

Sears to Pay $20M to Settle Auto Fraud

CHICAGO — Sears has agreed to pay as much as $20 million to settle 19 class action lawsuits that stemmed from California state charges that it bilked auto repair customers by recommending unneeded repairs.

Under terms of the settlement, Sears will offer a coupon worth $50 to some 933,000 customers nationwide who had the various services performed at a Sears auto center since Aug. 1, 1990, through Jan. 31, 1992. They include: replacements of a brake master cylinder; idler arm; a pair of shock absorbers, brake calipers or coil springs.

California state authorities charged that about half of the 72 auto centers recommended unnecessary replacement of such parts when undercover investigators came in for simple brake jobs that Sears advertised.

Sears expects the offer will cost it about $15 million, pretax, since all eligible customers won't apply.

The coupons can be redeemed for any merchandise or service in any Sears store during the year following Nov. 1, 1992.

In other aspects of the settlement, Sears will pay the state of California $3.5 million to reimburse it for the cost of its investigation and lawyers' fees and donate $1.5 million to state community colleges to finance auto repair training courses, for a total of $20 million.

Most important, the agreement allows all 72 Sears auto centers to remain open. California had sought to close them.

Previously, Sears had scrapped a system of paying commissions to auto service writers, a practice instituted in 1990, and resumed paying them a straight salary. Sears had conceded that mistakes occurred under the commission pay structure, but denied any intent to defraud customers.

Instead, Sears said the recommended repairs stemmed primarily from its policy of suggesting preventive maintenance to car owners. Sears also said that it will continue to recommend preventive maintenance repairs, but now will be more specific about who recommends the repairs—the automaker, the general repair industry or Sears, itself.

"While we regret any mistakes and inconveniences to customers that occurred, they were not intentional," said Charles F. Moran, Sears senior vice president and chief administrative officer, in announcing the settlement.

"We are confident that the overwhelming majority of the more than 27 million vehicles we serviced in 1991 and 1992 were done properly and safely," Moran said, "but more important, we believe these settlements should help restore the trust that our customers have placed in us over the last 105 years."

Following disclosure of the California charges, and similar charges from New Jersey a few days later, Sears automotives sales plummeted.

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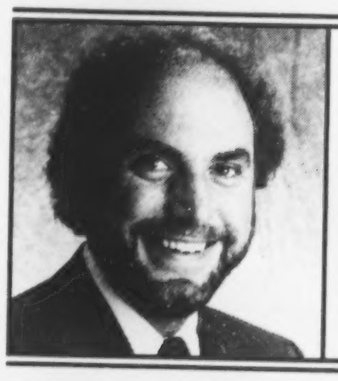
EDITORIAL

When It's a Venture, You Gotta Believe

I remember about four years ago when uncertainty overshadowed Venture (and its sister chain Caldor). Would The May Co. merge the two chains? Would they be sold? Who would buy them? Growth was slow and the future was in question. While some analysts and observers believed Venture would become the next discounting casualty, others believed in the long-term viability of this regional discounter.

Well, what a difference a May makes! From the obscurity and constraint under the May Co., Venture has emerged as a leader among regional discounters—a gritty competitor with a bright future.

Perhaps, the best recognition for its efforts is the honor of being selected as Discounter of the Year. But as proud as chairman Julie Seeherman was when he accepted the award last month (see page 133), he knows the greatest challenge lies ahead. Or in other words, about 550 miles south of O'Fallon, Mo., in the Lonestar State.



TONY LISANTI
Editor

To dramatize it one might ask, will the future of Venture be Texas gold or a Longhorn bust?

Currently, nine sites (five in Houston and four in Dallas-Ft. Worth) have been acquired and stores will begin to open in fall 1993. The plan is to have 50 stores throughout Texas over the next few years. A new distribution center in Corsicana, Texas, will open in April.

One question is does Texas need more discount stores?

Seeherman and company obviously believe it does. They believe Venture can prosper with new stores in a mature market. They are confident of the locations they have acquired. They believe Texas is still understored in terms of discount store square footage per capita. They believe in the strength of the Venture concept of merchandising.

The challenge now is to make Texans believers, as well.

BUYERS & SELLERS

DSN—Growing and Evolving With Discounting

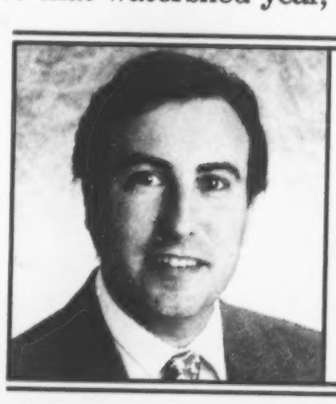
The $175 billion discount industry is one of the true success stories in American business. Retailing has experienced revolutionary change in the past 30 years. And *Discount Store News* has changed with it.

When *DSN* debuted in 1962, the discount industry was a powder keg waiting to explode. Prior to that watershed year, the industry could trace its roots to 1912, when Samuel Klein opened his first store, selling dresses in volume at a low markup.

Other discounters followed. Marty Chase, who later founded Ann & Hope, opened a piperack discount clothing store in 1933; and in the '40s and '50s, Eugene Ferkauf opened his first E.J. Korvette store in New York to mass merchandise hard lines, while in New England, closed apparel mills were being converted into future discount chains, such as Arlans and Ann & Hope, followed by Two Guys, Zayre, Gibson, Zodys and others.

But the roots of today's modern discounter can be traced to the founding in 1962 of what were to become, three decades later, the three largest discounters in the world.

The first issue of *DSN* featured no less than 60 articles on the then-$4 billion discount industry. Topics included the growing enmity between full-price department stores and discounters, statistical analyses of the fledgling industry, fair trade policies, and picture spreads on Korvettes' new prototype store. Absent was any mention of future discount behemoth, Wal-Mart. There was scant notice of Dayton Hudson's plans to enter the discount arena with Target. Kmart was just a gleam in Kresge's eye.



DON LONGO
Exec Editor

Today's *DSN* provides sharp contrast and striking similarities to that inaugural effort. As in 1962, we still cover in detail the actions of the biggest mass retail chains in the country. But now our scope is wider, including international retailers, specialty discounters and membership warehouse club chains. Today's *DSN* is livelier, with extensive use of four-color photography and a news magazine layout. But the mission of *DSN* is the same as always: to provide our readers with the information, products and services they need to help them make better business decisions. And the fun of today's *DSN* is scouring our pages for that elusive article on a small company that will become the next Wal-Mart, Kmart or Target of discount retailing.

PUBLISHER'S VIEW

Innovation the Hallmark of Discounting, DSN

In looking back over the 30 year history of discount retailing and *DSN*, I was struck by a comment made in an editorial that appeared in the first issue of *DSN*, January 1, 1962.

"A prevailing set of circumstances creates the opportunity for an innovator. The innovator comes up with an idea that is ripe in its time. He creates a potential revolution."

The above comment brings into focus that discounting has been a revolution of the "process" of retailing.

The revolution to date has allowed discounters to become the dominant channel of distribution for almost all consumer products sold in America.

Innovators are rarely met with open arms. That same issue of *DSN* features quotes from the then president of NRMA.

Retailers who stay open on Sunday are "sinners" and discounters are "illegitimate offspring" of traditional retailers.

These quotes brought to mind the commotion at this year's FMI Convention where warehouse clubs and supercenters were talked about in terms of their "threat" to the food industry rather than new innovative participants in food retailing.

Retailing innovations which give the public more of what it wants will continue to be the hallmark of discount retailers.

In the '60s it was found in discount department stores, in the '90s it will be found in warehouse clubs and specialty discounters. Tomorrow it will be found in retail formats yet to be started and globally as retailing innovators—discounters—spread their wings to take advantage of prevailing circumstances in Mexico, Europe and Latin America.

JOHN FAILLA
Publisher

For 30 years, *Discount Store News* has evolved along with the industry. *DSN* innovations like the SPARC Awards, the Discounter of the Year Award and the Discounting Hall of Fame are unique to all of retail trade publishing.

As discounting changes and evolves, moving forward, *DSN* will change along with it. Our commitment remains as it has been for 30 years—to providing information, products and services that help both buyer and seller make better decisions.

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